

UNAPPROVED MINUTES
CITY OF MILPITAS

RA 3

Minutes: Regular Meeting of Milpitas Redevelopment Agency (Including
Joint Meeting with City Council)
Date of Meeting: February 18, 2003
Time of Meeting: 8:08 p.m.
Place of Meeting: Council Chambers, City Hall

**RA1.
CALL TO ORDER**

Mayor Esteves called to order the regular meeting of the Milpitas Redevelopment Agency, meeting jointly with the City Council, at 8:08 p.m.

**RA2.
ROLL CALL**

Present were Mayor Esteves, Vice Mayor Dixon, and Agency/Councilmembers Gomez, Livengood, and Polanski.

**RA3.
MINUTES**

MOTION to approve the Redevelopment Agency minutes of February 4, 2003, including joint meeting with the City Council, as submitted.

M/S: Dixon, Livengood.

Ayes: 5

**RA4.
AGENDA**

MOTION to approve the agenda and consent calendar as submitted.

M/S: Dixon, Livengood.

Ayes: 5

**RA5.
CIVIC CENTER UPDATE**

Redevelopment Projects Manager Greg Armendariz reported the progress report would be brief as there were no action items before the Council. Mr. Armendariz presented an update on the City Hall Project budget expenses reporting that that total project contingency remaining was \$345,859. Mr. Armendariz further reported while there were no change orders presented, he did want to provide the Council with a look ahead reporting that electrical revisions in the amount of \$4,000 were anticipated, HVAC revisions in the garage of approximately \$35,000 were anticipated, and furniture revisions for additional file storage and ergonomic workstation upgrades were being developed and would be before the Council at the next meeting or two. Mr. Armendariz also reported on additional closeout work underway that included assembly and preparation of the operations and maintenance manuals for all elements of the building, assembly and organization of warranty documentation, and assembly and checking of as-built plans.

Councilmember Gomez inquired if the \$345,859 contingency amount included the \$45,000 for the third floor improvements. Mr. Armendariz responded it had not been separated but could be separated out in the holds and unboughts.

MOTION to note receipt and file.

M/S: Polanski, Dixon.

Ayes: 5

**RA6.
BUDGET APPROPRIATIONS
TRANSFERS FY 02-03
STATE BUDGET IMPACTS**

City Manager Tom Wilson reported this item would be presented in two parts; Finance Director Emma Karlen would present the report on the budget appropriations and transfers for the Fiscal Year 2002-03 mid-year budget modifications and then the City Manager would present some comments on the budget and potential State budget impacts for next year.

Finance Director Emma Karlen reported the item before the Council/Agency was a request for mid-year budget adjustments, explained there were three different types, there were sufficient funds available to fund the requests, the total fiscal impact was \$398,874, and the amount affecting the General Fund was a positive return to the fund balance of \$517,481.

Vice Mayor Dixon inquired, with respect to the \$108,000 appropriation for the COPS in School Grant, if staff had any idea whether this money would be available for the net cycle. Ms. Karlen responded she didn't believe a grant application had been submitted for next year and if the program was continued, it would be funded by the General Fund or reimbursement

from the School District. Vice Mayor Dixon commented that in 2003-04, the partnership with the School District may be disrupted for a year or so.

Councilmember Livengood commented the only thing for him that was a red flag was the \$200,000 for litigation and it was important to note all that money was related to City-built projects (the Sports Center, Fire Station 1, and City Hall). Councilmember Livengood said the City needed to get in a position where it is building public projects without lawsuits and before construction begins on a new senior center and library, a close look be taken as to how the City got into these situations, a close look be taken to try to make sure that as the two next very important projects are approached, a way is figured out how best to tighten up on legal documents that go to and from contractors, and to do the best we can to make sure we don't have these same problems with the next two projects as we have had with the last three.

Vice Mayor Dixon said she agreed with Councilmember Livengood because she knew information on all three public buildings, in particular the Main Fire Station where many things went wrong. Vice Mayor Dixon asked the City Attorney to get back to her to schedule an Attorney Subcommittee meeting. Mayor Esteves said the City Attorney Subcommittee was comprised of Vice Mayor Dixon and Councilmember Polanski and, hopefully, with the next CIP, lessons would have been learned from past projects and litigation will be minimized.

MOTION to approve the mid-year budget transfers totaling \$200,000 and appropriations totaling \$598,764.

M/S: Dixon, Livengood.

Ayes: 5

City Manager Wilson reported at its last meeting, staff provided some budget projections for the closeout of Fiscal Year 2003-04, potentially \$2 million more might be needed to balance the budget this year; staff across the organization was working to identify as many ways as possible to capture those dollars prior to the end of this year, and staff was confident that it will be able to find ways of saving another \$2 million minimally this year which will keep the City minimally at the level of use of the General Unallocated Reserve Fund as was projected in the budget. Mr. Wilson further reported staff was looking forward to delivering some positive news regarding additional savings this year at the next Council meeting and would bring the start of a list of ideas that would require very direct Council policy decisions as they include programs identified as some potential areas for savings and involve policy decisions. Mr. Wilson said this effort, if successful, will provide a very strong entry into Fiscal Year 2003-04 and as previously indicated to the Council, if the revenue picture did not improve and savings in programming and expenditures weren't found, the City might be looking at needing approximately \$8 million in the next fiscal year.

City Manager Wilson reported he had an opportunity to have some dialogue on the State budget process at the League of California Cities City Manager's Department meeting last week in Monterey; the Governor's Budget Director, Mr. Steve Peace was in attendance for a session, and he did not bring any good news. Mr. Wilson shared information that was presented on the Governor's \$10 billion budget savings proposal and a one cent sales tax increase and reported that it appeared the vehicle license fees were still at risk, and for Milpitas next year that amounted to perhaps \$3.6 million. Mr. Wilson said the consensus from the meeting was that the outlook for FY 2003-04 was not real positive and that long term impacts will not be worked out for a few more budget years beyond the next one; everyone was left with a sense that we need to be very cautious about how we do spend our money. Mr. Wilson said staff would be presenting a very conservative budget for 2003-04 and putting everything on the table for the Council to examine. Mr. Wilson noted that compared to neighboring communities and communities through the State, Milpitas is a lot better off than most all and not in worse shape than any.

Mayor Esteves thanked the City Manager for the information and said he heard the City Manager say that most likely the deficit would be \$8 million and staff was proposing only program cuts, service cuts, and using reserves. Mr. Wilson responded yes, reserves in some dimension would likely be used next year. Mayor Esteves commented that he would tap the reserves last and the way he looked at the budget, at least 60% or two-thirds was payroll so

that should be a big area staff should be looking at. Mr. Wilson responded that is the City's cost center and staff had taken a very aggressive position in freezing vacancies; most employees are covered by contracts and any considerations that would reduce the contract commitments would have to be negotiated and that was an option the Council would have before it. Mayor Esteves commented that at this time there were no easy efforts and he wanted to hear some options and alternatives.

Councilmember Livengood said he understood a contingent of people was going to discuss budget matters with Senator Figueroa and Assemblymember Dutra tomorrow; he thought that was a very good thing to do, however, there are 79 other members of the Assembly and 39 other Senators so even if these two were swayed, they have to deal with the others and the Governor. Councilmember Livengood commented that there are two areas that affect the budget – expenditures and revenues – and a lot has been dealt with respect to revenues but he felt it was important to start reducing the amount of money that is being spent in the City budget. Councilmember Livengood noted the largest portion of the budget was payroll and while no one wanted to use the word “layoff”; there may have to be layoffs when talking about an \$8 million potential deficit. Councilmember Livengood said when you reduce your work force, you not only lose the salary requirements but also the benefits, which are a very high portion of the salary; if you ask employees to take a cut in pay, the benefits will still all be in tact; so a reduction in force for him was going to be a very important part of this process because when you talk about revenues, we can go to Sacramento, which needs to be done, but expenditures were under the control of the Council. Councilmember Livengood commented that whenever he picks up a newspaper, he reads that almost every city in this area is talking about reducing its work force because that's where the money is. Councilmember Livengood further commented that he was not going to be supportive of moving money from one account to another; he wasn't going to be supportive of taking a lot of money out of reserves; he would be looking at cutting expenditures and would be looking for recommendations on how to accomplish that with having the least amount of affect on delivery of City services.

City Manager Wilson said staff's approach was to put all those things on the table and closing out this year with a savings program that will deliver substantial amounts of savings; the 2003-04 budget will be brought forth for Council's consideration on how those things are going to be accomplished in the next year budget; and nobody was seeing any light at the end for at least two years (2003-04 and 2004-05).

Vice Mayor Dixon said she agreed with some of what Councilmember Livengood said and that was primarily why she was hesitant and not supportive less than a year ago of a 3% across the board increase to the Fire Department only a year into their contract because the recession just didn't happen this year or last year. Vice Mayor Dixon further stated that sitting on various committees and commissions dealing with transportation within the Valley and the region, the one thing that struck her was that not one of these agencies instituted a hiring freeze almost two years ago as Milpitas did and she thought the credit went to the Council and to the City Manager for having the foresight. Vice Mayor Dixon asked when the City Manager was talking about the various cuts he was looking at for the next fiscal year, was he taking into account maintaining a particular percentage of General Fund reserves. City Manager Wilson responded absolutely, working with the \$8 million number as a deficit; the General Fund operating reserves are above 15% and what was being looked at was how can that reserve fund maintain its credibility for at least two years. Mr. Wilson pointed out that in addition to the General Fund reserve, in 2000 the Council increased the base reserve from 10% of budget to 15%; in 2001-02 the Council created a PERS reserve fund with \$7 million and at the end of this year it will still have \$5.5 million. Vice Mayor Dixon said she would like to come back for consideration doing away with the Council's dinner for Closed Sessions and look what is being spent collectively for food.

Mayor Esteves said he would still push for the library and senior center projects. Mr. Wilson said those two projects remained on track.

Councilmember Gomez said one thing that would help him in understanding the \$8 million deficit would be a spreadsheet showing exactly where the money went. City Manager Wilson responded a good percentage of it was in salaries but staff would provide something.

Councilmember Polanski thanked the staff for all their efforts in putting the City in better shape than some of its counterparts; she agreed with most of the comments made; she would be looking at cuts completely across the board in all departments; and it may be necessary to look at the level of services being provided so that, for example, instead of having excellent services, they might go down to moderate services. Councilmember Polanski said she agreed with Vice Mayor Dixon's comments about food noting that when she was on the School Board, that was one of the first things eliminated.

Vice Mayor Dixon commented that she had picked up a copy of the Palo Alto Daily News that had a community survey on Palo Alto's budget problems and suggested that if you're looking for community buy-in, that might be a way to get some public input. City Manager responded he thought those work as long as some structure is provided.

Mayor Esteves said he wanted to repeat his previous appeal to the City's different bargaining units to come forward with some creative suggestions; he recognized the great services provided but felt they should also face the challenge.

MOTION to note receipt and file.

M/S: Livengood, Dixon.

Ayes: 5

***RA7.
ARBITRAGE REBATE
CONSULTING SERVICES**

Extend the agreement with ACS to November 15, 2005, for an amount not-to-exceed \$13,000 per year, subject to approval as to form by the City Attorney.

**RA8.
ADJOURNMENT**

There being no further Redevelopment Agency business, Mayor Esteves adjourned the Redevelopment Agency meeting at 9:04 p.m.

Gail Blalock
Secretary/City Clerk